

**Dedicated Advocacy
Consumer Education
Creative Problem Solving**

**Indiana Office of Utility
Consumer Counselor**

2020-2021 Annual Report

Table of Contents

- Welcome 01
- Our Commitment 02
- COVID-19 Investigation & Consumer Protections 04
- Transitioning & Planning for the Future 05
- Rate Cases 06
 - Public Input 07
 - Rate Case Timeline 08
- Trackers 09
 - Infrastructure Plans & Trackers..... 09
 - Gas Cost Recovery 09
 - Generating Fuel Cost Recovery..... 09
 - Additional Electric Trackers 10
 - Water/Wastewater Trackers 10
- TDSIC 11
 - Electric 11
 - Gas 11
- Dedicated Advocacy & Creative Problem Solving 12
 - Financing 12
 - Acquisitions 12
 - Appellate Activity 12
 - Energy Efficiency 12
 - Electric Vehicles 12
 - Securitization 12
 - Telephone Dialing Changes 13
 - Federal Tax Relief 13
 - Federal Activity 13
 - Coordinating with our Peers 13
- Consumer Education 14
 - Case Participation & Public Input 14
 - Consumer Resources 14
 - Information on Non-Jurisdictional Utilities 15
- Our Staff 16

Welcome

The past year has been unprecedented and unpredictable.

However, the Indiana Office of Utility Consumer Counselor (OUCC) has continued to provide ratepayers with strong, dependable representation when it comes to utility ratemaking and other decisions affecting utility services in our state.

It is with this backdrop that I present the OUCC's latest Annual Report.

Throughout the State of Indiana's 2020-2021 fiscal year, the OUCC's attorneys and technical experts remained focused on the agency's mission and to our responsibility for ensuring cutting edge and dependable consumer representation. Whether working in the office or remotely due to the COVID-19 pandemic, our lawyers and technical experts on electric, natural gas, water, and wastewater matters continue to actively represent the interests of Hoosier ratepayers.

Aging infrastructure, technological and economic conditions, changes in federal regulations, and many additional factors are working to increase utility costs. Over the past year, the COVID-19 pandemic only added to the list of novel issues facing utilities and their customers.

Indiana policy encourages investment in utility infrastructure – to ensure safe, reliable utility service – while protecting the affordability of utility services both now and in the future. Addressing this dynamic balance is an ongoing challenge in every case, but we continue to ensure that your voices and all other relevant considerations are brought to the attention of the Indiana Utility Regulatory Commission (IURC).

The following pages will allow you a glimpse into the important work we do on behalf of the public. We hope you find this report informative. We also invite you to visit us online at www.IN.gov/OUCC and sign up for our monthly newsletter to stay informed.



Sincerely,

A handwritten signature in black ink that reads "Bill Fine". The signature is written in a cursive, flowing style.

Bill Fine
Indiana Utility Consumer Counselor

Our Commitment

Consumers expect dependable, high-quality utility services at affordable rates. It's what the OUCC focuses on every day.

Electric, natural gas, and water/wastewater utilities operate as monopoly service providers in Indiana and most other states. With that in mind, it is crucial to have a regulatory system that serves as a healthy surrogate for competition.

- Utility policy is determined by the Indiana General Assembly.
- The Indiana Utility Regulatory Commission (IURC) considers rate requests and other utility proposals through cases very similar to civil court proceedings. It is required to balance utility and consumer interests while basing decisions for each case on the evidence before it.
- State law tasks the OUCC with representing the interests of all consumers in cases before the Commission.

More than 300 cases may be pending before the IURC at any given time, and it takes an efficient, well-trained, and hard-working team to make sure ratepayers and their interests are represented.

A Year Of Adaptation & Collaboration

The COVID-19 pandemic has required flexibility in all workplaces, including the OUCC. In spite of the challenges, our team continues to work in a collaborative and coordinated manner. This has ensured seamless transitions in our work. It has also allowed us to meet all filing deadlines, participate in hearings either remotely or by following specific protocols, and continue to provide Hoosier ratepayers with dependable, timely representation.



The OUCC's Leja Courter and Olivia Rivera assisted consumers at an IURC public field hearing in Evansville in February 2021. The hearing followed all state and local public safety protocols. Consumers could choose between printed hearing materials or "touchless" materials, delivered to their phones via QR codes.



Most of our staff worked remotely through much of Fiscal 2020-2021, returning to the office in late June. Sergio Hunt of our electric division, Dezara Atherton of our natural gas staff, and water/wastewater analyst Shawn Dellinger were glad to be back with the team.

All of the OUCC's legal work is handled internally by our experienced and highly specialized attorneys. For analysis, we rely on our technical divisions and their broad expertise and deep understanding of the utility industries and the numerous factors that are considered in pending cases. Our lawyers, engineers, accountants, economists, and additional analysts bring hundreds of years of professional experience to the office every day. We put our experience to use on behalf of ratepayers as our accountants review utility records, our engineers examine infrastructure, and our attorneys ask questions through the legal discovery process and in hearings.

Our Commitment (cont.)

As we prepare our testimony and analysis in any given case, we recognize that the financial and functional stability of a utility is critical to its ability to provide safe, reliable service to all customers. At the same time, the fairness and affordability of utility rates are equally critical for those who live and do business in Indiana, along with people and businesses who may move here.

During the State of Indiana's 2020-2021 fiscal year, the OUCC participated in 397 docketed cases before the Commission. These included 18 general rate cases and 149 tracker proceedings implicating billions of dollars. We also participated in appellate court cases involving Commission orders and continued to represent Hoosier ratepayer interests at the federal level before the Federal Energy Regulatory Commission (FERC).

OUCC highlights during the most recent fiscal year have included:

- **Successfully advocating for a new level of transparency and reasonable consumer protections in the wake of the COVID-19 pandemic.**
- **Creatively resolving rate requests, including a settlement agreement reducing rates for CenterPoint Energy North gas customers and reaching agreements in additional cases reducing the impact of proposed increases.**
- **Vigilantly analyzing proposed natural gas and electric cost pass-throughs due to higher wholesale gas costs and identifying opportunities for customer savings.**
- **Enhancing our consumer education and outreach efforts, including expanded consumer communication via social media.**

In all we do, we are guided by our mission to focus on dedicated advocacy, creative problem solving, and consumer education.

Case Activity at a Glance

397 Cases **149 Tracker Cases**

49 Staff Members **18 General Rate Cases**

July 2020 *Through* **June 2021**



COVID-19 Investigation & Consumer Protections

As the COVID-19 pandemic presented a once-in-a-century crisis, Gov. Eric J. Holcomb issued a moratorium on utility disconnections through executive orders in 2020. In addition, the OUCC requested a formal IURC investigation into COVID-19's effects on utility rates and services statewide.

The Commission opened the investigation in May 2020. Between the Governor's executive orders and the Commission's investigation, Indiana ratepayers benefited from an emergency disconnection moratorium that covered more than five months.

In addition, the investigation resulted in utilities:

- Expanding the use of payment arrangements to assist customers, many of whom faced difficulty paying their bills for the first time,
- Waiving all deposits, late fees, convenience fees, and reconnection fees,
- Documenting and accounting for assets and liabilities related to stayed disconnections, waived fees, and extended payment plans, and
- Reporting monthly data to allow for a full analysis of the pandemic's effects on delinquencies, arrearages, and the success of payment plans.

Importantly, the Commission issued a June 2020 order denying a request from 10 major utilities to recover lost revenues through rates as a result of declining usage during the pandemic. As noted in the OUCC's 2019-2020 Annual Report, the Commission's order found that, "A utility's customers are not the guarantors of a utility earning its authorized return. Instead, utilities are given the opportunity to recover their costs and a fair rate of return, which includes a certain level of risk attributable to variable sales."

However, certain pandemic-related costs may be recoverable in future rate cases. These include bad debt and cash flow matters. By reviewing these costs in rate cases, they can be considered in the context of any savings utilities may have experienced to offset the pandemic-related costs.

Small portions of recent rate requests from CenterPoint Energy's gas utilities and Indiana Michigan Power (I&M) have included pandemic-related costs. The OUCC negotiated settlement agreements reducing those costs in both of CenterPoint Energy's natural gas rate cases. OUCC testimony on I&M's request is due this fall.

The agency's consumer education efforts in the last year focused on the pandemic, urging people to stay as current on their bills as possible, and to take advantage of extended utility payment arrangements while available.



Heather Poole, the OUCC's Assistant Natural Gas Division Director, manages numerous case teams throughout the year.

Our Mission

To represent all Indiana consumers to ensure quality, reliable utility services at the most reasonable prices possible through:

*Dedicated Advocacy
Consumer Education
Creative Problem Solving*

Transitioning & Planning for the Future

Rapid changes are happening throughout the nation when it comes to our sources of electricity and how we upgrade aging infrastructure in all utility industries. Indiana is no exception.

The costs of replacing and upgrading power lines, gas mains, and water treatment facilities are just a few of the many challenges facing utilities and their customers. And more issues include adapting to changes in economic forces, customer preferences, fluctuating federal environmental regulations, and new technology.

Through customers' rates, electric utilities are buying, building, and financing new generation facilities as renewable energy resources take a much larger share of the state's generating balance. They are also negotiating power purchase agreements for wholesale market acquisitions from Indiana-based and out-of-state sources.

Major Indiana electric utilities complete integrated resource plans (IRPs) every three years. An IRP is a 20-year plan focusing on the amount of power the utilities and their customers will need in the next two decades, and how those needs will be met. Each utility gathers stakeholder input through a process taking several months before it submits its IRP to the Commission. The OUCC participates actively in the stakeholder input meetings and comment opportunities for utility IRPs. We weigh in on the propriety, timing, costs, and benefits of the choices utilities propose in their plans.

The process of developing an IRP is an informal one. It results in a plan that is submitted to the Commission but does not require Commission approval.

When a utility seeks to move forward with a specific project in an IRP, it then goes before the Commission, in a formal case. Certificate of Public Convenience and Necessity (CPCN) and Certificate of Need (CON) are the legal terms for when the Commission authorizes a utility to build, finance, and operate a new generating facility, or when it approves new technology aimed at meeting the utility's future needs or complying with federal mandates. It also authorizes the utility to recover project costs through rates, raising the rates for most costs incrementally as construction moves forward.

The OUCC closely reviews all CPCN and CON cases to ensure that a utility is taking a reasonable and cost-efficient approach to the project, including the way it will meet customers' future needs.

While the electric industry is changing dramatically, the landscapes for other utility industries are also changing.

Gas utilities continue to focus on competitive wholesale market costs and prudent purchases, along with addressing aging infrastructure. Wholesale natural gas costs may be recovered through rates on a dollar-for-dollar basis, subject to OUCC review and IURC approval. The OUCC's analyses of gas costs have been especially important following February 2021, when wholesale prices approached record highs due to plummeting temperatures and gas supply shortages.

Water and wastewater utilities are heavily focused on addressing aging infrastructure. Underground water and sewer mains in some communities are more than 100 years old. More than 250,000 water mains break in the United States each year. That equates to a main break every two minutes, according to a 2020 report from the Value of Water Campaign and the American Society of Civil Engineers. The balance between needing to replace weakening infrastructure and needing to preserve affordable rates will continue to be a major challenge in the years ahead.

Case volume, overall, has remained fairly stable in recent years. But issues in Commission cases are increasingly affected by complexities and new issues arising from a transitioning energy industry, new federal and state policies, changing economic, social, and technological drivers, and historic obligations related to aging infrastructure and reliance on fossil fuels. The speed of the transition, the prioritization of the changes, and the resulting financial effects on ratepayers and the transmission system involve unprecedented decisions for which there is no national or statewide consensus.

As mentioned earlier in this report, the Indiana General Assembly determines the state's utility policy, including the manner in which Indiana's future energy needs will be addressed. Utility Consumer Counselor Bill Fine is one of 17 members on the 21st Century Energy Utility Policy Task Force, chaired by House Utilities, Energy, & Telecommunications Chairman Ed Soliday (R-Valparaiso) and Senate Utilities Chairman Eric Koch (R-Bedford). The task force is in its third year of reviewing issues related to the transition and developing recommendations for the legislature to consider. A separate legislative task force is focusing on wastewater infrastructure investment, including funding sources and the expansion of sanitary sewer services to unserved areas.

Rate Cases

A general rate case – or base rate case – before the IURC is typically a 10-month process that allows for a full review of a utility’s finances.

In each rate case, the OUCC completes a comprehensive examination of the utility’s records while making a full analysis of its finances and the propriety of its proposed rates, investments, and existing trackers. Our attorneys and technical experts typically have between three and four months to complete this review and present the results in testimony to the Commission.

Every rate request is examined on a case-by-case basis. The OUCC develops its recommendations from its analysis of the facts and evidence that are unique to each case.

Of the nearly 400 cases before the Commission during the State’s 2020-2021 fiscal year, 18 were general rate cases.

The OUCC spent considerable time addressing two natural gas rate requests by CenterPoint Energy (formerly Vectren). In both cases, the OUCC and additional consumer parties successfully negotiated settlement agreements that are now pending before the Commission.



Attorney Lorraine Hitz and analyst Caleb Loveman review large volumes of information in evaluating rate requests and making recommendations.

CenterPoint Energy Indiana North covers more than 50 counties throughout the state. It is the former “Vectren North” service territory that was previously served by Indiana Gas Co. In this rate case, the pending settlement agreement would reduce current rates by nearly \$6 million per year. It would reduce the monthly fixed charges on a residential bill from \$17.59

to \$16.50. CenterPoint Energy had requested a \$28 million annual increase for its North utility, including a residential customer service charge of \$21.50.

Within the fixed charges, each CenterPoint Energy North residential bill currently includes a \$6.34 charge for infrastructure improvements and federal pipeline safety mandate compliance. This charge, the Compliance and System Improvement Adjustment (CSIA), would be reset to \$0.00 upon approval of the settlement. The CSIA is not line-itemed in bills but is assessed as a fixed charge to all residential customers.

The pending agreement reflects that incremental CSIA rate increases over the past several years have provided the utility with greater stability and reduced risk. The CSIA’s infrastructure portion is part of a similar surcharge used by most of Indiana’s major natural gas and electric utilities; it will be described in more detail later in this report.

In a separate settlement agreement, rates for **CenterPoint Energy Indiana South** would increase by a lower amount than the utility’s original request. The former “Vectren South” territory covers the nine-county southwestern Indiana region formerly served by Southern Indiana Gas & Electric Co. (SIGECO).

CenterPoint Energy Indiana South had requested a \$29.6 million increase, which would be reduced to \$20.5 million under the agreement. Also, the agreement would reduce the monthly fixed charges on a residential natural gas bill from \$25.10 to \$16.50. The utility proposed raising its current \$11.00 customer charge to \$35.00, while zeroing out the South territory’s monthly CSIA of \$14.10. The settlement establishes the customer charge at \$16.50 while zeroing out the CSIA as requested.

While some rate cases are litigated, the OUCC and additional parties are able to negotiate settlement agreements in others. We attempt to reach a fair settlement for consumers whenever possible, and the odds of settling increase when stakeholders share information in a collaborative and transparent manner.

When reached, the settling parties must support any agreement with testimony and exhibits. They have the burden of proof to show the agreement is in the public interest, and the Commission may approve, deny, or modify any agreement in its final order.

Rate Cases (cont.)

Most rate cases involving municipal utilities are settled. They include four agreements that were approved in the State's latest fiscal year. The OUCC negotiated agreements with the **Richmond** and **Crawfordsville** electric utilities, along with the **Columbus** and **Cedar Lake** water utilities.

Municipal water rate requests from **Bloomington** and **Evansville** are now pending.

"Cost of service" issues, addressing how new rates are allocated to different customer classes, are the main focus in the Bloomington case.

Evansville's request is largely driven by a proposed, new water treatment plant. The OUCC's analysis shows the need for a new plant, but shows that a smaller plant than proposed would meet the city's current and future needs while reducing the amount of the proposed increase and delaying its implementation by a year.

Litigated cases in the past year have included a request from **American Suburban Utilities**, which provides sewage disposal service in the area northwest of West Lafayette. The utility requested approval of a third-phase increase from its most recent rate case. The OUCC's advocacy led to the approval of a smaller increase along with more than \$500,000 in customer refunds.

Six of this year's rate cases were filed under the Small Utility Filing Procedure, which is available to utilities with fewer than 8,000 customers. This process is aimed at reducing rate case expenses, such as consulting and legal fees that would otherwise be passed through to customers. However, the standard of review by both the OUCC and the Commission are the same as in any rate case.



Accountants Wes Blakley and Tom Malan have analyzed complex ratemaking matters in multiple cases over the last year.

Just after the most recent fiscal year ended, **Indiana Michigan Power (I&M)** filed a rate case seeking an annual increase of \$104 million. OUCC analysts and attorneys are reviewing I&M's request and will file testimony in the fall, with a Commission decision expected in 2022.

More recently, **Northern Indiana Public Service Co. (NIPSCO)** has submitted notice of its intent to file a gas rate case this fall.

In some circumstances, Indiana law allows a utility to seek and receive Commission "pre-approval" of proposed projects for ratemaking treatment. One such case in the past year included a request from **Community Utilities of Indiana (CUII)**, which provides water and sewer service in parts of Lake, Porter, Jasper, and Newton Counties. This request would have eventually led to substantial increases in monthly sewer rates, but the Commission's order denied it. The OUCC's testimony and briefs noted that the utility has not comprehensively addressed the inflow and infiltration of groundwater into its sewer system as required by previous IURC orders.

Public Input

Utility customers are encouraged to offer comments in pending cases.

Written Consumer Comments

The OUCC invites written comments in all cases. Comments received at least one week before the OUCC's testimonial deadline are filed with the Commission for the formal case record.

Public Field Hearings

State law requires the IURC to hold public field hearings in certain rate cases but not all. Comments offered at field hearings carry the same weight as written consumer comments filed by the OUCC.

Rate Case Timeline

Rate cases before the Indiana Utility Regulatory Commission (IURC) are like civil court cases. The IURC is required to balance utility & ratepayer interests while basing decisions on each case's specific evidence. The Indiana Office of Utility Consumer Counselor (OUCC) is a separate state agency representing consumer interests. A rate case often involves hundreds or even thousands of pages of materials that must be reviewed within a 10-month timeframe.

Day 1

Utility's Case-In-Chief

The utility presents its case through written testimony from expert witnesses, often including detailed accounting & engineering exhibits. A utility's "petition" is a legal document formally initiating the case, & is typically filed at the same time as testimony & exhibits. When that happens, the IURC has 300 days to issue an order. Each case is given a five-digit cause number so it can be identified & tracked.

Days 1-28

Schedule

The IURC sets a schedule of filing & hearing dates within a few weeks after the case starts. Schedules are usually negotiated by the utility, OUCC, and intervening parties. In some cases, a "pre-hearing conference" is held to discuss the case's schedule, but not its merits.

Days 1-91

Public Comments

The OUCC invites written consumer comments for the formal record in each case. In certain cases, the IURC conducts a public field hearing where consumers can speak on the record. Oral testimony at public field hearings carries the same weight as written consumer comments the OUCC files.

Day 98

OUCC's Case-In-Chief

Once the OUCC has completed its review, its technical witnesses file testimony & exhibits. Under state law, the OUCC formally represents the interests of all ratepayers, including residential, commercial, & industrial consumers.

Days 98-125

Additional Filings

Additional parties intervene in some cases. When they do, they typically file testimony on the same date as the OUCC. A few days or weeks later, the utility may file rebuttal testimony.

Days 150-160

Evidentiary Hearing

Attorneys for the OUCC, utility, & intervenors may cross-examine each other's technical witnesses at this hearing. The IURC can also question witnesses. In a case involving a major utility, this hearing may last several days.

Days 180-210

Closing Arguments

After the hearing, the utility, OUCC, & intervenors may file written briefs & proposed orders.

Day 300

Order

The IURC issues a final order after considering all evidence. All orders are issued at the Commission's weekly meetings - referred to as "conferences" - usually on Wednesday mornings. Agendas are publicly posted two days in advance. In most rate cases, the IURC must issue its order within 300 days of the case's start. Commissioners may extend the deadline by 60 days if they find cause to do so.

Settlements & Appeals

A **settlement agreement** is possible in any legal proceeding. The Commission may approve, deny, or modify any agreement filed before it.

The OUCC & other parties to a settlement must file testimony showing it to be in the public interest.

A formal party to a Commission case may **appeal** the order to the Indiana Court of Appeals within 30 days, if it believes there is a legal reason to do so.

Trackers

While a general rate case allows the OUCC to fully review and inspect a utility's financial health, a tracker (or rider) case allows for a narrow (or isolated and limited) review of a specific topic under a condensed timeline. All major Indiana utilities use trackers to one extent or the other. Most trackers have been created by the General Assembly while the IURC may also create rate trackers. Some utilities itemize each tracker on customer bills, some do not, and others give consumers the option of requesting more detailed bills.

In the state's most recent fiscal year, the OUCC participated in nearly 150 tracker cases before the Commission. The most intensive cases involved energy infrastructure planning and recovery of wholesale energy costs.

Infrastructure Plans & Trackers

Transmission, Distribution, and Storage System Improvement Charge (TDSIC) cases consume the most time and resources among tracker proceedings before Indiana's Commission.

Any electric or natural gas utility may request Commission approval of an infrastructure upgrade and replacement plan, with the projects to cover a five- to seven-year period. The Commission must rule on a plan request within 210 days of the utility's filing. The OUCC completes its review and files testimony within 92 days, on average.

If a plan is approved, the utility may then seek rate increases to pay for the project costs as they are incurred. TDSIC tracker filings may come as often as every six months. OUCC staff members are required to complete their review of the rate requests within 60 days; the Commission must rule on a tracker request within 120 days.

State law allows a utility to recover up to 80 percent of the project costs as they are incurred. The remaining 20 percent is deferred to the utility's next general rate case, which the utility must file before the end of the plan's term.

Information on specific TDSIC cases is available on page 11. Since the TDSIC was first created in 2013, the IURC has approved plans implicating a total of more than \$6.3 billion. Plans that were filed or approved in the state's most recent fiscal year include requests from NIPSCO for its electric and gas utilities, AES Indiana (formerly IPL), and Ohio Valley Gas.

More recently, CenterPoint Energy has filed infrastructure plans for both of its Indiana natural gas utilities. Combined, the plans implicate nearly \$1.5 billion for TDSIC projects and federal pipeline safety mandate compliance.

Gas Cost Recovery

Natural gas utilities recover operating and maintenance costs through their base rates but request periodic rate adjustments to reflect changes in wholesale gas costs.

Indiana law allows gas utilities to recover wholesale costs on a dollar-for-dollar basis without profit, if they show that they have shopped prudently in the competitive market.

Each gas utility makes a Gas Cost Adjustment (GCA) filing every three, six, or 12 months. Every GCA is reviewed by OUCC staff and must receive Commission approval to take effect. 60 such filings were considered in the State's last fiscal year.

The OUCC identified opportunities for consumer savings in six GCA cases in the last fiscal year, resulting in reductions to utility requests. Items the OUCC identified included updated wholesale tariffs, mathematical errors, and the need for a consumer refund for overcollections.

The February 2021 spike in wholesale costs, following the major electric blackout in Texas and gas supply shortages at Texas power plants, caused ripple effects for retail natural gas utilities throughout the United States. OUCC Gas Division analysts monitored these costs closely, both in the wholesale market and in GCA filings including cost recovery.

In addition to the GCA and TDSIC, state law allows gas utilities to recover federally mandated safety costs through a Pipeline Safety Adjustment (PSA). PSA rate changes also require OUCC review and Commission approval.

Generating Fuel Cost Recovery

Costs for electric generating fuels, including coal, natural gas, and nuclear fuel, can fluctuate daily based on market conditions. All electric utilities are allowed to adjust rates periodically to recover these costs on a dollar-for-dollar basis, through the Fuel Adjustment Clause (FAC). FAC filings are subject to OUCC review and IURC approval.

Trackers (cont.)

AES Indiana, CenterPoint Energy, Duke Energy, and NIPSCO file FAC requests every three months. Indiana Michigan Power (I&M) files every six months. Though the statute gives the OUCC 20 days to review an FAC filing, the agency and four utilities (not including I&M) have agreements allowing for a 35-day review.

With electric utilities relying on increased amounts of natural gas for generation, the February 2021 wholesale natural gas spike caused issues requiring creative problem solving. In AES Indiana's FAC regarding those costs, the OUCC recommended spreading recovery over a six-month period instead of the usual three months. AES Indiana agreed to the OUCC's recommendation, leveling out costs and mitigating the monthly effect on customer bills.

Eight of Indiana's 67 municipal electric utilities are under IURC jurisdiction. They also adjust rates quarterly, with OUCC review and Commission approval, to recover wholesale power cost changes.

Additional Electric Trackers

All five of Indiana's major electric utilities use multiple trackers as allowed by state law, in addition to the FAC. These include:

- Regional transmission costs, specifically for participating in regional transmission organizations that manage the power grid over multi-state regions.
- Customer-funded energy efficiency programs.
- Reliability and resource adequacy.
- Sharing of off-system sales.

Additional trackers for certain utilities include:

- Recovery of construction and financing costs needed to comply with federal environmental mandates.
- NIPSCO and Duke Energy trackers for recovery of cybersecurity costs.
- I&M's Life Cycle Management rider for Cook Nuclear Plant projects. The utility proposes to retire this tracker in 2022.

- CenterPoint Energy's renewable energy construction rider for new solar projects. I&M and Duke Energy have solar power and renewable energy project riders, respectively.
- Green power riders allowing voluntary programs for customers wanting to buy renewable energy credits.



OUCC attorneys Scott Franson and Daniel Le Vay work together on numerous water/sewer cases.

Water/Wastewater Trackers

Water and wastewater utilities may seek rate adjustments between base rate cases under the Distribution System Improvement Charge (DSIC). The DSIC was created for water utilities a number of years ago, but its scope has since expanded, including extending it to sewer utilities.

DSIC surcharges cannot exceed 10 percent of the base revenue amount approved in the utility's latest rate case. However, certain costs recovered through the DSIC do not count toward the 10-percent cap, including replacements of customer-owned service lines made with lead or galvanized steel.

Indiana American Water Co. has used DSIC surcharges multiple times since the law was enacted, including one request in the State's most recent fiscal year. OUCC testimony helped reduce the charge added to customer bills.

The System Integrity Adjustment (SIA) allows a water or sewer utility to raise rates if it does not recover the revenues that were authorized in its latest rate case. Citizens Energy Group's Marion County sewer utility uses this mechanism, though it does not appear as a specific line item on customer bills.

During the State's last fiscal year, Community Utilities of Indiana (CUII) sought to use the SIA in its northwest Indiana service territories. However, the request was withdrawn after the OUCC identified errors in the utility's calculations.

The Service Enhancement Improvement rider received legislative approval in 2020 and allows water and sewer utilities to recover costs for safety, health, and environmental protection, if needed to comply with a federal, state, or local law. Indiana American Water Co. filed the first request under the new law in September 2021.

TDSIC Plans & Trackers

The following electric and natural gas utilities use the Transmission, Distribution, & Storage System Improvement Charge (TDSIC) for approval and rate recovery of infrastructure improvement projects.

Electric

AES Indiana

AES Indiana - formerly Indianapolis Power & Light Co. (IPL) - received IURC approval of a seven-year, \$1.2 billion infrastructure plan in 2020. The plan includes the deployment of advanced metering infrastructure (AMI), circuit rebuilds, substation upgrades, and line and pole replacements, among other projects.

CenterPoint Energy

The current seven-year electric infrastructure plan for CenterPoint Energy, formerly Vectren, was approved in 2017. Its total capital costs for rate recovery were capped at \$446.5 million under a settlement agreement with the OUCC and industrial customers. The plan has funded the replacements of poles, lines, substations, and other infrastructure.

Duke Energy

Duke Energy's Transmission and Distribution Infrastructure Improvement Plan (T&D Plan) received approval in 2016. The case's settlement agreement capped rate recovery for the plan's projects at \$1.4 billion. Projects include replacements and improvements of substations, circuit breakers, transformers, poles, and lines.

Northern Indiana Public Service Co. (NIPSCO)

A settlement agreement in NIPSCO's 2016 plan capped project rate recovery at \$1.25 billion. The utility is now seeking approval of a new \$1.64 billion plan. Proposed projects include advanced metering infrastructure, pole replacements, and upgrades and replacements to transformers, substations, steel transmission line structures, and additional projects to be built through 2026.

Natural Gas

CenterPoint Energy

CenterPoint Energy's natural gas utilities are seeking approval of new five-year plans, including a combined \$468 million in TDSIC project costs. The first gas infrastructure plans for CenterPoint included \$320 million in TDSIC costs. They received Commission approval in 2014.

Northern Indiana Public Service Co. (NIPSCO)

NIPSCO's current six-year natural gas infrastructure plan includes capital costs of nearly \$949 million and was approved in 2020. Its 2014-2019 plan included \$713 million in projects including aging infrastructure replacements, new transmission mains, and expansion into rural areas without gas service.

Community Natural Gas

Community Natural Gas Co. provides service in 10 southern Indiana counties. All projects in its \$2.7 million plan, approved in 2016, were related to rural extensions.

Midwest Natural Gas

Midwest Natural Gas Corporation's \$2.3 million plan received approval in 2017 and focused on a new Daviess County pipeline. The utility has a 10-county southern Indiana service territory.

Ohio Valley Gas

Approved in 2020, this 5-year plan includes low-pressure replacement projects and rural main extensions. Ohio Valley Gas serves 16 east-central, southern, and western Indiana counties. Its plan is valued at \$3.2 million.

Dedicated Advocacy & Creative Problem Solving

Financing

In addition to rate cases, the OUCC reviews and files written testimony on utility financing requests before the Commission, including requests to issue long-term debt and other financial instruments. Indiana utilities received approval to issue more than \$4.5 billion in financing during the state's last fiscal year.

Acquisitions

Certain utility sales and acquisitions require OUCC review and IURC approval. Indiana law allows investor-owned water and sewer utilities to buy smaller utilities, and then recover the acquisition costs through rates. The OUCC reviews these requests with a focus on the reasonableness of purchase prices and their effects on ratepayers.

Appellate Activity

When Commission orders are appealed to the Indiana Court of Appeals or the Indiana Supreme Court, the OUCC's attorneys participate through written briefs and, when scheduled, oral arguments. The OUCC may argue in favor of upholding or overturning a Commission order, based on the case's circumstances.

Recent examples include the appeal of Duke Energy's 2020 rate order to the Indiana Supreme Court, the Indiana Court of Appeals docket involving future rate recovery for Citizens Energy Group's purchase of a small Hamilton County sewer utility, and the OUCC's appeal of CenterPoint Energy's excess distributed generation (EDG) tariff.

Excess Distributed Generation

All five major Indiana electric utilities have filed EDG tariff requests, which will determine the rate utilities pay to customers who install solar panels and other forms of distributed generation in the future, for power they "sell back" to the utility. OUCC analysts have filed testimony opposing the requests, arguing that they do not follow the statute's requirements. As noted above, the OUCC has appealed CenterPoint Energy's EDG tariff to the Indiana Court of Appeals, with multiple consumer parties joining the OUCC's brief.

Energy Efficiency

Indiana's major electric and natural gas utilities file energy efficiency plans for IURC approval. Within the state's last fiscal year, the Commission approved settlement agreements on plans for all five Indiana investor-owned utilities. In addition, the OUCC continues its active participation on each utility's oversight board, ensuring that the programs in each plan are carried out effectively and in accordance with Commission orders.

Smaller utilities have also offered energy efficiency programs. In a key win for the OUCC and consumers over the last year, the Commission ordered a group of eight small natural gas utilities to refund more than \$1 million in collections for energy efficiency programs that ended in 2015.

Electric Vehicles

Technology and policy debates on electric vehicles are moving forward at a rapid pace, including the debate of who should pay for new infrastructure such as public charging stations. As discussions continue regarding whether utility ratepayers should subsidize the buildout of electric charging facilities,

an electric vehicle portfolio request by AES Indiana is being held in abeyance until February 2022. In July 2020, the IURC denied Duke Energy's request for an electric vehicle pilot program, noting the proposed program's size and requesting policy direction from the state legislature.



OUCC Engineer Jim Parks specializes in water and wastewater utility infrastructure.

Securitization

The Indiana General Assembly authorized a pilot securitization proposal for CenterPoint Energy in the most recent legislative session. Utilities may charge ratepayers for infrastructure that is no longer being used but is also not fully paid for. A retired coal-fired power plant is one example of these "stranded assets." Securitization allows

the debt on stranded assets to be refinanced at lower interest rates, partially reducing the costs for ratepayers.

CenterPoint Energy has not petitioned the IURC for approval of its pilot program yet. However, the Commission has opened a rulemaking proceeding that sets the parameters for such a request and how it will be handled. OUCC staff members are

Dedicated Advocacy & Creative Problem Solving (cont.)

participating in this rulemaking and will actively participate in the future Commission case, focusing on ensuring that cost savings are appropriately shared with customers.

Telephone Dialing Changes

Most aspects of telecommunications were deregulated in Indiana in 2006. However, the OUCC continues to educate consumers on relevant matters regarding telecom service.

OUCC and IURC staff partnered to publicize the 2021 transition to ten-digit dialing for local telephone calls in Indiana's 219 and 574 area codes. In other words, the caller needs to include the area code when placing a local call. The change does not affect rates or the use of three-digit numbers including 9-1-1 for emergencies, 8-1-1 for utility locates before digging, and 2-1-1 for social services.

More than 80 area codes in 35 states are making this transaction to allow the National Suicide Prevention Lifeline to be reached from anywhere in the nation by simply dialing 9-8-8. The new code will take effect in July 2022. The Lifeline's current toll-free number - 1-800-273 TALK - will remain in use both before and after 9-8-8 takes effect.

Indiana's 317 and 812 area codes have used ten-digit dialing for several years because of the need to make room for new telephone numbers. 40 states and all of Canada's provinces require ten-digit dialing to varying degrees.

Federal Tax Relief

The Tax Cuts & Jobs Act of 2017 (TCJA) reduced the federal corporate income tax rate for most investor-owned utilities from 35 percent to 21 percent. With utilities allowed to recover these costs through rates on a dollar-for-dollar basis, the IURC opened an investigation to ensure proper cost savings for customers. The investigation involved the adjustment of utility tariffs to make up for immediate changes, customer refunds as appropriate, and parameters for tax cost accounting treatment going forward.

Indiana consumers saved more than \$200 million through the investigation, which the IURC formally closed in January 2021.

Federal Activity

The OUCC's Federal Division plays an important role in representing Indiana utility consumer interests in matters before the Federal Energy Regulatory Commission (FERC), and in stakeholder processes regarding the two regional transmission operators that serve Indiana.



Arthur Iler is the OUCC's Deputy Consumer Counselor for Federal Affairs.

Four of Indiana's five investor-owned electric utilities belong to the Carmel, Ind.-based Midcontinent Independent System Operator (MISO), which oversees transmission over a 15-state region and a portion of Canada. Indiana Michigan Power (I&M) belongs to the Pennsylvania-based PJM Interconnection, which oversees a 13-state transmission region.

Costs related to regional transmission operators, and utility participation within them, are eventually recovered through customer rates. Federal transmission matters will continue to increase in importance as additional renewable energy sources are added to the grid, requiring the expansion of interstate transmission infrastructure. As with local utility distribution systems, transmission systems are also aging, needing ongoing maintenance and replacement.

Coordinating with our Peers

Most states have legislatively created entities that are tasked with representing consumer interests in public service commission proceedings. In Indiana, it is the OUCC. In another state, it may be a state government entity or a non-governmental organization.

58 such entities in 45 states belong to the National Association of State Utility Consumer Advocates (NASUCA). NASUCA is an important source for sharing information and ideas. State policies vary but members share many of the same concerns and are dealing with the same issues, including upward pressures on utility rates and charges.

Our staff benefits greatly from the knowledge and experiences of our peer offices throughout the nation. Indiana Utility Consumer Counselor Bill Fine serves as NASUCA's Vice President, with OUCC staff members participating on each of the organization's committees.

Consumer Education

The OUCC is strongly committed to consumer education and to helping consumers participate in the regulatory process. This is increasingly important as utility issues become ever more complicated. It has also grown in importance due to the COVID-19 pandemic and the need to inform consumers about protections that were enacted and in place throughout most of 2020.



OUCC External Affairs Director Anthony Swinger joined Indiana AARP for an online discussion of consumer protections enacted during the COVID-19 pandemic.

Case Participation & Public Input

The OUCC welcomes written consumer comments in all pending cases. Each consumer letter or email is reviewed by our case teams and, if received at least one week before we file testimony, included in our filing with the Commission. Since the comments are included with our testimony, they become formal evidence in the case record, which the Commission reviews before making its decisions and issuing orders.

In some cases, the Commission will hold a public field hearing in the utility's service territory, allowing customers to speak directly to the Commission under oath. State law requires a field hearing in any general rate case in which the utility seeks to increase its annual revenues by \$2.5 million or more. The Commission may also hold field hearings in any case at its discretion. Comments made under oath at field hearings go into the case record and carry equal weight with written consumer comments the OUCC receives and files.

Consumer Resources

"Consumer News... For You," the OUCC's monthly newsletter, is the agency's primary vehicle for consumer communications. It is geared toward the consumer audience and is designed to provide a very quick, high-level read with the option to seek more details on issues most important to the reader.

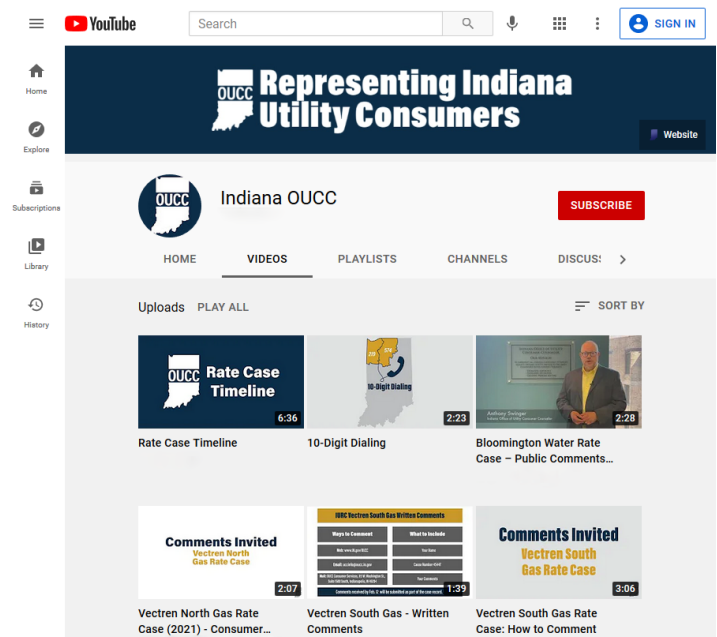
Our external affairs team works on an ongoing basis to improve our website's content and accessibility. Our site includes a dedicated page for each major utility where we provide information on that utility's rates and its pending cases of interest.

The OUCC also offers roughly three dozen consumer publications including simple tips for saving money on energy and water bills. Additional publications include consumer guides to understanding utility bills, fraud prevention, and guides to understanding and participating in utility rate cases.

In the last year, the agency expanded its social media reach and is now active on five social media platforms (Facebook, Instagram, Twitter, LinkedIn, and YouTube). We continue to post regular updates and information of consumer interest on our social media feeds.

With the COVID-19 pandemic affecting all consumers, we have focused much of the past year on informing the public about the consumer protections that were in place for the time being, along with ways consumers can receive financial assistance if needed.

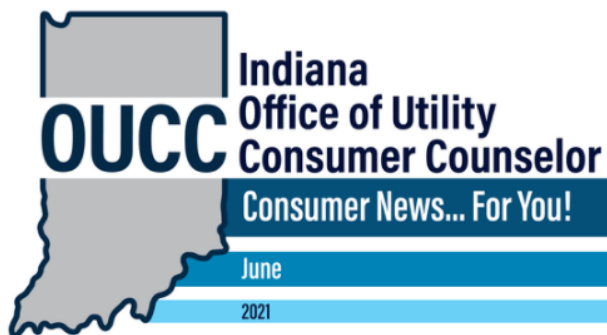
Our communications efforts also focused heavily on payment arrangements, including the need for customers to make them sooner rather than later, and to communicate openly with their service providers about any hardships that may require flexible arrangements.



The OUCC's YouTube page is our newest social media platform.

CONSUMER NEWS... FOR YOU! JUNE 2021

State of Indiana sent this bulletin at 06/02/2021 07:44 PM EDT



AN IMPORTANT WIN

A case involving a northwest Indiana utility recently resulted in a major win for its customers and the OUCC. Community Utilities of Indiana (CUII) sought IURC pre-approval of several proposed projects for ratemaking treatment, in a request that would have eventually led to substantial increases in monthly sewer rates. The Commission's [May order](#) denied the request. The OUCC's testimony and briefs noted that the utility has not comprehensively addressed the inflow and infiltration of groundwater into its sewer system as required by previous IURC orders. CUII provides service in portions of Lake, Porter, Jasper, and Newton Counties.

EVANSVILLE WATER RATES

[Consumer comments](#) are invited on the City of Evansville's request to raise rates for its municipal water utility. The city's proposal would phase the \$15.6 million increase in over the next five years. The [requested increase](#) and city's proposal to issue long-term debt would pay for a new water treatment plant and address aging infrastructure throughout the city's water distribution system. OUCC analysts are reviewing the request and are scheduled to file testimony on Aug. 20.



Our Newsletter

"Consumer News... For You" is the OUCC's monthly consumer newsletter. Since 2015, the newsletter has provided consumers with monthly updates on pending cases and general tips for saving money and making better use of electric, natural gas, water, and wastewater utility services.

The newsletter is a free service and is available simply by signing up on the agency's website.

[Subscribe Here](#)

Information on Non-Jurisdictional Utilities

The rates and charges of certain Indiana utilities are regulated at the state level, by the Commission. For other utilities, rates and charges are regulated at the local level. A rural electric membership cooperative (REMC), for example, is regulated by its board of directors, which is directly elected by the REMC's customers, or member-owners. Municipal sewer utilities also fall outside of the Commission's jurisdiction, with their rates and charges approved by locally elected city and town councils. Most of Indiana's municipal water and electric utilities have withdrawn from Commission oversight as allowed by state law. Their rates are also approved by city and town councils.

When our staff receives inquiries about locally regulated utilities, we take the time to explain why certain utilities are regulated locally and not by the Commission. We also give consumers the information they need to make the right connections at the local level, so their concerns can be addressed.

For More Information

All OUCC consumer publications are available on the agency's website at www.IN.gov/OUCC. They include:

- [Speaking Out on Pending Cases](#)
- [Guide to State Utility Regulatory Proceedings](#)
- [Smart Savings on Energy Bills](#)
- [Smart Savings on Water Bills](#)
- [Understanding Electric Rates](#)
- [Understanding Natural Gas Rates](#)
- [Understanding Sewer Rates](#)
- [Winter Disconnection FAQs](#)

Our Staff

The OUCC's dedicated team puts hundreds of years of experience to work on behalf of Indiana utility consumers each day.

Executive

William Fine – Utility Consumer Counselor
Abby Gray – Executive Director, Legal Operations
Barbara Smith – Executive Director, Technical Operations

Legal

Randall Helmen – Chief Deputy Consumer Counselor
Scott Franson – Deputy Consumer Counselor
Jason Haas – Deputy Consumer Counselor
Lorraine Hitz – Deputy Consumer Counselor
Karol Krohn – Deputy Consumer Counselor
Daniel Le Vay – Deputy Consumer Counselor
Tiffany Murray – Deputy Consumer Counselor
Jeffrey Reed – Deputy Consumer Counselor
Cheryl Williams – Paralegal

Federal Affairs

Arthur Iler – Deputy Consumer Counselor, Federal Affairs
Michael Gahimer – Senior Utility Analyst

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Olivia Rivera – External Affairs Specialist

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Cynthia Armstrong – Senior Utility Analyst
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Richard Corey – Utility Analyst II
Shawn Dellinger – Utility Analyst II
Thomas Malan – Utility Analyst II
James Parks, PE – Senior Utility Analyst
Carla Sullivan – Utility Analyst II
Kristen Willoughby – Utility Analyst II

Congrats, Wes! 30 Years of Service

Wes Blakley was presented with a plaque by Executive Director Barbara Smith commemorating his 30th year with the OUCC. Wes, a senior utility analyst, is one of the nation's top experts on electric utility financing. He has worked on thousands of cases over the last three decades.



Kudos, Anthony! 20 Years of Service

External Affairs Director Anthony Swinger (right) was recognized by Utility Consumer Counselor Bill Fine for his efforts over the last 20 years. Anthony has developed the agency's annual reports, social media accounts, newsletter, and more.



Indiana Office of Utility Consumer Counselor

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